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OCTOBER 22, 2001

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**DeNUCCI CALLS FOR IMPROVEMENTS
IN CHARTER SCHOOL OVERSIGHT**

State Auditor Joe DeNucci today released an audit calling for better oversight of charter schools by the Massachusetts Department of Education (DOE). The audit stated that the Commonwealth has no assurance that all charter schools are being operated in the most cost-effective manner or that their intended educational goals are being achieved.

DeNucci's audit recommended that DOE improve its monitoring of charter schools in a number of key areas, including the application process, its evaluation of the effectiveness of charter schools, and its controls over management companies which operate charter schools.

DeNucci said stronger oversight is especially important as the Legislature has authorized a total of 120 charter schools in Massachusetts. There were 42 charter schools operating in Massachusetts as of June. In fiscal year 2001, Commonwealth Charter Schools, which operate independently from local school districts, received \$98.6 million in public funding.

In response to DeNucci's audit, the Commissioner of DOE said the audit has provided his department with "additional guidance that will be valuable as the charter school program continues to grow" and indicated that the department has already begun to address some of the issues raised.

Major issues identified in DeNucci's 84-page report include these:

- Due to inadequate controls over management companies that operate charter schools, DeNucci's audit found that some companies received potentially excessive profits. For example, during one of the years reviewed in the audit, more than 24 percent of the Somerville Charter School's funding went to the school's management company instead of program expenses. Also, three schools had inadequate or no documentation to substantiate their expenses.

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- DeNucci's audit disclosed that several charter schools failed to transfer employee pension contributions withheld from the salaries of teachers and other staff to the Massachusetts teachers' retirement system on a monthly basis, as required by law.
- DeNucci's audit found numerous deficiencies in DOE's process for reviewing applications and awarding charters. These included major variations in scores by reviewers for the same charter application, mathematical errors on score sheets which were not detected or corrected by DOE staff, instances in which score sheets were changed with no explanation as to why the change was made, and no documentation on how reviewers were selected or their qualifications.
- Although charter schools are required to adopt specific performance objectives and annually report to DOE how they are meeting these objectives, DeNucci said DOE did not establish specific performance objectives for charter schools or provide formal guidance on how these objectives should be established, measured or reported. This resulted in unclear or unmeasurable performance goals at some schools.
- DeNucci said DOE, when conducting site visits at charter schools, did not review financial or other records to verify what had been reported to the department. As a result, the audit found inadequate documentation of expenditures, errors in attendance reporting and inadequate internal controls at the seven charter schools visited by the audit staff.
- DeNucci's audit found that the lack of formal DOE guidelines over the activities of charter school boards of trustees resulted in some questionable board activities. In two instances, for example, representatives of a for-profit company may have taken part in the application process for a charter. In several other instances, members of a school's board of trustees were also employees of the school. DeNucci said these activities bring into question the ability of the boards to exercise its oversight responsibilities in an independent manner.

"Under state law, charter schools are considered to be public schools, funded by the taxpayers and subject to the same standards of accountability as other public schools," DeNucci said. "The Department of Education has a responsibility to ensure that charter schools meet both their financial obligations and their educational goals."

